

IDAHO STATE TAX COMMISSION
COMMISSIONERS' OPEN MEETING
MINUTES OF MEETING HELD NOVEMBER 6, 2013

In attendance: Commissioners Richard W. Jackson, Ken A. Roberts, David R. Langhorst, and Tom Katsilometes; Michael Chakarun, Debbie Coulson, Valerie Dilley, Steve Fiscus, Roxanne Lopez, Robin O'Neill, Chuck Pond, Mark Poppler, Liz Rodosovich, Mike Teller, Randy Tilley, Bill von Tagen, Doreen Warren; Cynthia Adrian, Alan Dornfest, McLean Russell, Sherry Briscoe; George Brown, Chelsea Kidney, Mat Cundiff, Erick Shaner, and Phil Skinner; Jennifer Noeldner, Josh Miller, Mike Li, Jeanine Lane, Chad Pearman.

Public Session.

Chairman Richard W. Jackson convened the open meeting.

Presentation of Certificates of Service.

Roxanne Lopez, Human Resources Officer, acknowledged the employee receiving a Certificate of Service, and stated how much her 5 years of state service was appreciated.

The Certificate of Service recipient was: Jennifer Noeldner, Tax Auditor 1 in the Tax Discovery Bureau (Audit Division), for 5 years of service.

The Commissioners said how the recipient's 5 years of service and efforts were commendable and the everyday work she does is appreciated.

Business Requiring Vote of the Commission.

Minutes: Open Meeting – October 2, 2013.

Commissioner Langhorst moved that the minutes of the open meeting held on October 2, 2013, be approved. Commissioner Katsilometes seconded. There were no comments or amendments. All voted in the affirmative, and the minutes of the open meeting held on October 2, 2013, were approved.

Resolution 13-13 – ISTC 2014 Proposed Rules.

Michael Chakarun, Tax Policy Manager, presented Resolution 13-13 – ISTC 2014 Proposed Rules. Michael recommended that the Commission adopt Resolution 13-13. Resolution 13-13 includes various additions, and changes to income tax, sales tax, property tax, Emergency 911 fee, and product tax rules.

The full texts of the rules had been provided to each of the Commissioners prior to this meeting and had been discussed at previous open meetings. Most of the rules have been developed using the negotiated rule-making process. The proposed rules have also been published in the October Bulletin. For the rules covered by this resolution, no comments were received from the public during the comment period and the rules committees had no requests for a hearing.

Commissioner Roberts moved that Resolution 13-13 – ISTC 2014 Proposed Rules be approved, and Commissioner Katsilometes seconded. There were no further comments or questions. All voted in the affirmative, and the motion passed.

Chairman Jackson commended Michael and the rules committees for their efforts in the negotiated rules process and the substantive rules package just presented. This was a tremendous job well done.

Administrative Policy Memorandum No. 14-01 – Acceptable Use of Idaho State Tax Commission IT Resources.

Roxanne Lopez, Human Resources Officer, presented Administrative Policy Memorandum No. 14-01 – Acceptable Use of Idaho State Tax Commission IT Resources. This policy addresses the employee's use of IT resources. Roxanne recommended the Commission adopt Administrative Policy Memorandum No. 14-01 – Acceptable Use of Idaho State Tax Commission IT Resources.

Commissioner Langhorst inquired if Mike Teller, Chief Information Officer, knew if the agency was conforming to this policy. Mike responded that the Tax Commission is complying and this policy is the result of both the requirements of state and the business needs of the employees.

Commissioner Katsilometes moved that Administrative Policy Memorandum No. 14-01 – Acceptable Use of Idaho State Tax Commission IT Resources be approved, and Commissioner Langhorst seconded. There were no further comments or questions. All voted in the affirmative, and the motion passed.

Travel Policies and Rules for the Idaho State Tax Commission.

Mark Poppler, Financial Officer, presented Travel Policies and Rules for the Idaho State Tax Commission, which had already been reviewed by the Executive Leadership Team. Mark noted that Management Services controls travel and travel reimbursement and presented this policy addressing travel expenses and how to be reimbursed. After a brief discussion on the change of mileage reimbursement with the use of personal cars, Mark recommended the Commission adopt Travel Policies and Rules for the Idaho State Tax Commission.

Commissioner Roberts moved that Travel Policies and Rules for the Idaho State Tax Commission be approved, and Commissioner Langhorst seconded. There were no further comments or questions. All voted in the affirmative, and the motion passed.

There was no more business requiring a vote of the Commission.

Administrative Reports.

Revenue Operations, Doreen Warren.

Doreen Warren, Revenue Operations Division Administrator, reported that the "mini tax drive" was well planned and coordinated. Revenue Operations (RO) wrapped up the front end processing last week with coordinated efforts throughout the division. Temporary employees were brought in a week later than planned and released a week earlier than planned. The workload will continue through data entry, accounts registration and maintenance, and taxpayer accounting over the next few weeks.

E911 and Ketchum system changes have moved to production and applications and promotional materials are being mailed this week. RO will be reviewing the impact of the Ketchum local option increases that passed during the election process.

Doreen noted that RO takes their fiduciary responsibility seriously and has expanded its search for fraudulent income tax returns. The result is that RO has been able to prevent hundreds of thousands of dollars of the state's money from being refunded erroneously. For the 2013 filing season, RO stopped 563 confirmed fraudulent returns worth \$599,300 in refunds from going out the door to the wrong taxpayers.

Recent trends in fraudulent income tax returns :

- Identity thieves are obtaining more information from their victims. In addition to the victim's name, Social Security number, and address, they are obtaining the spouse's name and Social Security number, kids' names and Social Security numbers, employer information, and close range of wages.

- Fraudulent returns are submitted all year. The fraud does not stop in April. This year, RO continued to receive fraudulent returns through October.
- Fraudulent returns are filed in batches of 5–40. RO will often identify one fraudulent return and search the system for similar criteria to identify others received during the same timeframe.
- Tax due state returns, but claiming large federal refunds – trying to get past the first-time filer edits and potentially setting up for next year.
- With the incremental increase in grocery credit and the ability to claim grocery credit even with no requirement to file, more fraudsters are attempting to file returns claiming only a refund in grocery credit.

Doreen noted that of the 563 fraudulent returns (through October 2013), 130 claimed \$21,444 in grocery credit as the only reason for the refund. With the incremental increase in grocery credit, educational efforts have successfully reduced the amount of grocery credit paid to ineligible recipients. Through this educational effort, the Tax Commission has realized \$182,500 in recoveries so far in 2013.

Chairman Jackson extended congratulations to Doreen and RO for a job well done.

Communications, Liz Rodosovich.

Liz Rodosovich, Public Information Officer, reported that the invitations will be sent in the next few days for the Annual Meeting (known also as the Stakeholders' Meeting) on December 10, 2013. The meeting is scheduled from 3:00 p.m. to 4:30 p.m. in the Lincoln Auditorium at the Statehouse. The room is undergoing some remodeling, but there will be a backup plan if the project is not finished by the Annual Meeting as planned.

Communications has issued several news releases in the last month—the one drawing the most media attention is on Alan Dornfest's annual tax burden study, which showed Idaho has one of the lowest tax burdens in the nation.

The State Controller's office is preparing a joint news release with us on the new vendor intercept program that begins this week. A link to the release will be on the Tax Commission website, so state vendors will have fair warning that all or part of their payment can be seized to pay delinquent taxes.

Liz noted that work continues on the annual report, which will be published in early December, before the Annual Meeting.

There were no questions or comments.

Management Services, Mark Poppler.

Mark Poppler, Financial Officer, reported that work has been completed on the State Controller's Office (SCO) vendor intercept project that was one of the enhancements approved in our current budget. Pending payments to vendors from any state agency will now be compared to a file of outstanding and hardened liabilities provided daily by the Tax Commission. This mirrors and improves the process currently used by the Department of Labor. Any matches will be intercepted and split between Tax and Labor based on their liabilities. Vendors will receive notice on the warrant stub informing them of the intercept and who to contact with questions. The actual programming costs were approximately \$50,000. The agency had originally requested \$72,000 for the project, but the approved budget is \$11,800.

The details of the ISTC Budget Request for FY2015 were modified slightly downward in the last week to reflect the postponement of the PERSI increase in contributions for one year. The PERSI board in mid-October determined that the scheduled increase in contributions for both the employer and employees to begin in July of 2014 was no longer necessary. This change reduced

our budget request by approximately \$176,000. Mark noted that the same thing happened to all state agencies.

The fieldwork has been completed by the LSO Auditors for another year and they departed early last week. At this point Mark is not aware of any findings or significant issues, but does expect to have the auditors return for a closing meeting with the commissioners and other interested parties when a draft report is ready.

Property Tax, Steve Fiscus.

Steve Fiscus, Property Tax Division Administrator, had a procedural question on clarification whether the administrative reports need to be turned in prior to the open meetings. Chairman Jackson responded that the reports are requested in advance, but flexibility is given. Commissioner Katsilometes added that the commissioners want the reports in writing, but will accept impromptu reports. The commissioners also prefer having advance notification if there will be an administrative report, even if the report cannot be submitted prior to the meeting in writing.

There were no more administrative reports.

Reports on Rules Committees.

Income Tax, Administration & Enforcement, Kilowatt, Mine License Rules – Committee Chair, Cynthia Adrian.

Cynthia Adrian, Income Tax, Administration & Enforcement, Kilowatt, and Mine License Rules Committee Chair, reported that the committee was in recess and there was nothing new to report.

There were no questions.

Motor and Special Fuels Tax Rules – Committee Chair, Don Williams.

Don Williams, the Motor and Special Fuels Tax Rules Committee Chair, was absent and there was no report or questions.

Sales Tax Administrative Rules – Committee Chair, McLean Russell.

McLean Russell, Sales Tax Administrative Rules Committee Chair, had nothing new to report.

There were no questions.

Property Tax Rules – Committee Chair, Alan Dornfest.

Alan Dornfest, Property Tax Rules Committee Chair, reported that the public hearing before the Commission on November 19, 2013, regarding the controversial temporary and proposed Rule 626 – Property Exempt From Taxation - Certain Personal Property and proposed Rule 205 – Personal and Real Property - Definitions and Guidelines on personal property, was already mentioned. Alan had nothing new to report.

There were no questions.

Other Business.

Bill von Tagen, Lead Deputy Attorney General, presented This Day in History.

This Day in History, November 6:

1813 – Mexico declared itself independent of Spain.

1854 – John Phillip Souza was born.

1860 – Abraham Lincoln elected President of the United States.

1862 – The New York to San Francisco direct telegraph link

1917 – Bolshevik revolution began with the capture of the Winter Palace in Russia.

1946 – Sally Field, star of television shows “Gidget” and the “Flying Nun” was born.

1962 – Saudi Arabia abolished slavery.

1962 – Nixon upon losing race for California governor to Pat Brown told the press that he was quitting politics and that they (the press) wouldn’t have Nixon to kick around anymore.

#1 Song: “To Sir with Love” sung by Lulu.

There was no other business.

Public Comments.

There were no public comments.

Recess.

Chairman Jackson recessed the Public Session for five minutes to reconvene for the commissioners to meet with the Commission’s legal counsel.

Reconvene Meeting.

Chairman Jackson reconvened the open meeting.

Executive Session.

Commissioner Katsilometes moved to go into the Executive Session. Chairman Jackson seconded. A roll call vote was given by Valerie Dilley, Executive Administrative Assistant. Commissioners Jackson, Katsilometes, Langhorst, and Roberts all voted in favor and the motion passed.

The Commission met in executive session with its legal counsel pursuant to Idaho Code § 67-2345(1)(f) to discuss the current status of litigation to which the Commission is a party. No matters requiring a vote of the Commission resulted from the executive session.

Public Session.

Chairman Jackson declared the Executive Session ended and returned to the public session.

There being no further business, the meeting adjourned.

Valerie J. Dilley
Secretary

Richard W. Jackson
Chairman